



Employee/Participant Questions & Answers

“What is the State of Montana VEBA Health Reimbursement Account (“Montana VEBA HRA”)?”

This is the State of Montana’s VEBA Health Reimbursement Account or “Montana VEBA HRA.” The Montana VEBA HRA is a post-retirement/termination health reimbursement plan.

“What is a VEBA and what are the tax objectives?”

VEBA stands for “Voluntary Employees’ Beneficiary Association” and is a tax-exempt trust authorized by Internal Revenue Code Section 501(c)(9). The tax objectives of this type of plan are to enable your employer to make tax-free deposits on your behalf to the Plan, to credit your account with tax-free investment earnings, and to enable you to obtain tax-free reimbursements for your qualified medical expenses and insurance premium payments.

Montana VEBA HRA contributions will not be reported on your W-2. You do not report Montana VEBA HRA contributions, earnings, or benefit payments on your individual 1040 federal income tax form.

“Who is eligible for contributions to the Montana VEBA HRA?”

Employees from State, City, County, University System and K-12 Public Entities in Montana. These employees, both represented and non-represented, may be eligible for contributions when bargaining agreements, employer policy, or applicable resolution(s) are amended to provide for such contributions.

“Why should I participate in the Montana VEBA HRA?”

A Montana VEBA HRA account produces a source of funds to pay for the cost of health care expenses for you, your spouse, and your qualified dependents. A Montana VEBA HRA account may be used to pay qualified post-retirement/termination medical, dental, or vision out-of-pocket expenses (deductibles, co-payments, co-insurance, etc.), plus premiums for post-retirement medical, dental, or vision insurance, Medicare Part B, Medicare supplement plans, and tax-qualified long term care insurance premiums.

“How much will I spend on health related costs after I retire?”

Probably over \$150,000! If you and your spouse retire at age 60, purchase medical and dental insurance, spend \$500 per year on non-covered expenses such as co-pays, deductibles, vision care, etc., and your costs grow by only 3% per year, you will need \$162,393. If medical costs continue to increase at current levels, you will need over \$500,000!

“Is the Montana VEBA HRA the best vehicle for me to save for retiree health care?”

As with any financial planning, we encourage employees to consult with a professional regarding your individual circumstances. However, the tax advantages offered by this program may be very attractive to you. The Montana VEBA HRA is tax-free, while 403(b)s, 457 plans, IRA’s, etc. are tax-deferred, meaning you pay tax on them when you withdraw the funds. If you save \$200 per month in a Montana VEBA HRA account for 10 years and earn 5%, you will have a tax-free balance of \$31,000 at retirement!

“What funding sources are available for Montana VEBA HRA contributions?”

The primary source of funding provided for in statute is sick leave cash-outs and possibly Vacation/Annual leave cash-outs (dependent on group vote). All participating employees defined as eligible in the group must be treated uniformly with respect to contributions.

“If my employee group has voted to make the Montana VEBA HRA available, must I contribute my sick leave cash-out to Montana VEBA HRA when I separate from service?”

Yes. If your group has a current Montana VEBA HRA agreement in place and you separate from service and are eligible for cash-out of unused sick leave, it must be contributed to Montana VEBA HRA. You will no longer have a cash option. IRS regulations state that individual employees cannot have the choice between tax-exempt Montana VEBA HRA contributions and taxable cash.

“If my employee group decides to contribute part of salary, must I participate?”

Yes. However, in order for Montana VEBA HRA contributions to remain tax-free, all employee group members defined as eligible must contribute to the Plan in the same manner. There are a number of different ways this may be arranged.

“Do VEBA contributions reduce my State of Montana pension benefits?”

PERS members – potentially. If you have a sick leave balance at termination/separation, MPERA may enhance your monthly retirement benefit by using it to increase the calculation of your highest average compensation (HAC). For State of Montana members, the PERS calculation of your HAC compensation will NOT include the 25% balance in your sick leave account (or 100% of your Annual Leave if it is also included in your groups' VEBA contribution and you are participating in the VEBA. You will ONLY receive 100% of your annual leave toward the PERS HAC calculation, if it is not voted as part of your groups' VEBA contribution.

Please consult with your financial advisor (or PERS) to determine the amount of the impact.

“What are eligible Montana VEBA HRA expenses?”

Eligible expenses include qualified medical, dental, and vision expenses not covered by your insurance plans, certain over-the-counter medications, or medical, dental, and vision insurance premiums (applicable plan premiums for retirees), and tax-qualified long-term care insurance premiums. Eligible expenses are defined in Internal Revenue Code Section 213(d).

“Whose expenses are eligible?”

Expenses incurred by the participant, their spouse, or any tax-qualified dependents are eligible for reimbursement. Tax-qualified dependents are defined in Internal Revenue Code Section 152, and outlined in IRS Publication 501, available at www.irs.gov.

“How do I file a claim for benefits?”

When you or a qualified dependent incur a qualified expense you may complete and submit a Montana VEBA HRA Claim Form (along with proof of your claim) to the Plan Administrator. Proof for your claim includes receipts for qualified services or an Explanation of Benefits form provided by your insurance company. Claims are paid weekly and direct deposit is available.

NOTE: Reimbursable health related benefits must be for expenses incurred after your account is first opened. Insurance premiums paid by an employer or through a Section 125 Cafeteria Plan are not

eligible for reimbursement. This plan is not a health savings account (HSA). Your participation in this plan will disqualify you from making HSA contributions.

“Can my Montana VEBA HRA automatically pay for my insurance premiums?”

Yes. Simply complete the Montana VEBA HRA Systematic Payment Form and the Plan Administrator will mail a check each month to your insurance company. If you join the Montana Retiree Medical Plan, you can authorize the MPERA to deduct your medical premium from your monthly defined benefit pension check. You can then arrange with the Montana VEBA HRA Administrator to directly reimburse you from your Montana VEBA HRA account by using the Montana VEBA HRA Systematic Payment Form. A direct deposit option is available.

“What happens if I die before my Montana VEBA HRA account is used up?”

If you are survived by a spouse or dependent children (or other dependents as defined by the IRS) they may submit requests for medical expense reimbursements until your account is used up. If you have no eligible dependent(s), the funds remaining in your account will revert back to the plan. .

“How are the Montana VEBA HRA funds invested?”

You may choose from among investment funds provided on the enrollment form. You may have your Montana VEBA HRA funds invested in any combination of the listed investment funds, and you may change your investment allocations as often as monthly. An Investment Fund Overview with investment results history and fund objectives is available. In addition, you may view up-to-date fund fact sheets and prospectuses on each fund’s website. Website addresses are listed on the Investment Fund Overview.

“Will I receive a statement of my account?”

Yes. You will receive semi-annual statements detailing all activity in your account. You may also call or e-mail the Plan Administrator with a request for additional statements at any time. If you have questions about your account, pending claim, or need claim forms, contact the Plan Administrator.

“May I view my personal account information online at www.rehnonline.com?”

Yes. You may view your personal account information online including: account balance, detailed account activity, investment fund allocation, review a list of qualified expenses, plus change your fund allocations, change your address, etc.

“Who is the Montana VEBA HRA Third Party Administrator?”

REHN & Associates, Inc. in Spokane, Washington is the Montana VEBA HRA third party administrator. REHN specializes in the administration of VEBA health reimbursement plans. All correspondence, accounting, and benefit payment services are provided by REHN. Please notify REHN of any address, name, or premium payment changes.

“Who is the Trustee of the Plan?”

Washington Trust Bank in Spokane, Washington is the Trustee of the Plan. The Trustee safeguards the plan assets and assists the Department of Administration with selection of the investment funds to be made available to plan participants.

“Who is responsible for developing and managing this Plan?”

Montana Senate Bill 51 charged the State of Montana, Department of Administration, Employee Benefits Bureau to create a Montana VEBA Plan. The Department of Administration is also responsible for on-going management of the Plan. The Department of Administration has contracted with various service providers to assist with operating the Plan.

“What are the Plan expenses? Who pays them and how much are they?”

Plan expenses include costs and fees such as: claims administration, preparing and issuing statements, legal, consulting, trustee, printing, postage, investment management, auditing, and mail and banking services., Plan expenses are paid by plan participants. Participant accounts will be charged a flat fee of \$5.00 per month plus 1.75% of assets on an annualized basis. Investment fund management expenses depend on the fund(s) selected and are listed on the Investment Fund Overview. As the Trust assets grow and the Plan becomes more popular, the fees could be reduced. The Department of Administration retains the right to change the fees. The State of Montana does not profit in any way, financially, by offering this plan

“Where do I get more information?”

Check with the State of Montana Department of Administration for Plan information, or call the Montana VEBA HRA Administrator.

State of Montana
Department of Administration
100 North Park Ave. Suite 320
P.O. Box 200130
Helena, MT 59620-0127
VEBA Health Officer: Melanie Denning
Phone: (406) 444-3745
Fax: (406) 444-0080
E-mail: mdenning@mt.gov

Montana VEBA HRA
Administrator
REHN & Associates, Inc.
P.O. Box 5433
Spokane, WA 99205-0433
Phone: 1-800-VEBA101 (832-2101)
E-mail: montana@rehnonline.com
Website: www.rehnonline.com
Malinda Kimmet – Direct: (509) 444-9633

Montana VEBA HRA Investment Fund Key Information

Investment Risk

- Stock, bond, and asset allocation funds are not guaranteed and will fluctuate in value on a monthly basis. Benefit withdrawals from these types of funds may be worth more or less than your original deposit.
- Periodically review your selected investment fund choice(s). Should your objectives change, you should reevaluate your fund selection(s) and notify the Plan Administrator of any changes. Remember, there have been numerous loss periods in the past in these types of funds and there will be others in the future. Please remember that investment returns, particularly over shorter time horizons, are highly dependent on trends in various investment markets. Thus, stock, bond, or asset allocation investments are suitable primarily as longer-term investments and should not be for short-term use.

Using Multiple Funds

- You may have your Montana VEBA HRA allocated to any combination of the available funds.

Transfers

- You may transfer among funds monthly. Transfers are effective the first business day of each month. The Montana VEBA HRA Administrator must receive transfer requests by the 25th of each month in order to be effective on the first business day of the following month.

Withdrawals

- If you have multiple funds, benefit withdrawals made from your account will be prorated based on your fund allocation percentage on file with the Montana VEBA HRA Administrator, unless you request otherwise.

Investment Advice

- Participants are encouraged to seek advice regarding these investment funds from their personal financial advisor.

Investment Expenses

- These expenses are expressed as a percent of assets on an annualized basis and are deducted from investment earnings, or if there are no earnings, from participant account balances.